

Morning Financials Update – Big Movers

Top 20 Financial Stock Movers

Company [ticker]	News	Price Move
MGIC Investment Corp [MTG]	Adj. Loss/Shr \$2.86 vs \$1.04 Loss Est. Injecting \$1 billion into in inactive subsidiary, allowing it to write new business. Wisconsin DOI goes along with it. Fitch Downgrades on Announced Restructuring Plan	12%
Pacific Capital Bancorp NA [PCBC]	No news materially driving the stock price	12%
CVB Financial Corp [CVBF]	Beats estimates. Adjusted EPS 19c vs 10c Estimate	11%
East West Bancorp Inc [EWBC]	Misses estimates. -1.83A v -0.42E. Aggressive credit management being employed -- if true, problems may be smaller in the future.	11%
Umpqua Holdings Corp [UMPQ]	Beats estimates. Adjusted EPS 15c vs 9c Loss/Shr Loss Estimate	7%
Commerce Bancshares Inc/Kansas [CBSH]	Beats estimates. Adjusted EPS 49c vs 38c Estimate	7%
MB Financial Inc [MBFI]	Beats estimates. Adjusted EPS 16c vs 26c Loss/Shr Loss Estimate	6%
Charles Schwab Corp/The [SCHW]	Beats estimates 0.20A v 0.18E. Client assets down, which may push future earnings down.	-3%
Developers Diversified Realty [DDR]	No news materially driving the stock price	-5%
Host Hotels & Resorts Inc [HST]	Rated New 'Underperform' At Wedbush. Perhaps some sympathy from Marriott's bad profit report.	-5%
Federal National Mortgage Asso [FNM]	Allison Says Housing Program Showing Signs of Success. Uh, really?	-5%
MBIA Inc [MBI]	No news materially driving the stock price	-6%
Cousins Properties Inc [CUZ]	Slashes 3Q dividend by 40 percent.	-6%
Stewart Information Services C [STC]	No news materially driving the stock price	-6%
Federal Home Loan Mortgage Cor [FRE]	Allison Says Housing Program Showing Signs of Success. I don't see that at all.	-6%
First Commonwealth Financial C [FCF]	No news materially driving the stock price	-7%
CapitalSource Inc [CSE]	No news materially driving the stock price	-7%
American International Group I [AIG]	Prudential Said to Resume Talks Over AIG Japan Units. AIG Said to Ask Buyout Funds to Ally With Taiwan Firms on Taiwanese Life Unit.	-9%
Boston Private Financial Holdi [BPFH]	No news materially driving the stock price	-10%
CIT Group Inc [CIT]	US unlikely to aid CIT, which faces a likely bankruptcy. Can an independent commercial finance company survive tough times without a deposit franchise? I don't think so.	-70%

Thoughts:

- If CIT can't get help, that means all entities seeking help should expect less help at the margin, or at least more *sturm und drang*.
- Banks and thrifts are leading and Commercial finance and GSEs are trailing.
- Speculative names doing badly today.
- Survivors in investment banking are picking up more business and profits.
- Rising unemployment is the biggest hidden risk to the financial economy at present. As jobs are lost, people default on more debts.
- Commercial and high-end residential real estate still under pressure.
- The short-term performance model for financial stocks recommends **only** Reinsurers here. They face lower risk on the asset side of the balance sheet.
- Whether insurers or banks, avoid equity-sensitive names here – aim at companies that don't have a high degree of sensitivity to stock market performance.
- The market in the short run is driven off of government policy, which is uncertain.
- Better to play it safe at this point. We have just experienced a very sharp bear market rally. Remember, sharp moves tend to reverse, slow moves tend to persist.

Group Price Movements for this Morning

Commercial Serv-Finance	1.3%	Other	-0.8%	REITS-Regional Malls	-1.3%
Commer Banks-Western US	0.6%	Property/Casualty Ins	-0.8%	Finance-Credit Card	-1.4%
Commer Banks Non-US	0.3%	Finance-Auto Loans	-0.8%	Diversified Banking Inst	-1.5%
S&L/Thrifts-Central US	0.3%	S&L/Thrifts-Eastern US	-0.9%	Commer Banks-Eastern US	-1.5%
Financial Guarantee Ins	0.1%	REITS-Forestry	-1.0%	Multi-line Insurance	-1.5%
Finance-Consumer Loans	-0.1%	REITS-Diversified	-1.0%	REITS-Shopping Centers	-1.5%
Fiduciary Banks	-0.2%	REITS-Health Care	-1.0%	REITS-Warehouse/Industr	-1.9%
Reinsurance	-0.3%	Real Estate Oper/Develop	-1.0%	Life/Health Insurance	-1.9%
REITS-Mortgage	-0.3%	REITS-Office Property	-1.0%	REITS-Apartments	-2.0%
Commer Banks-Central US	-0.5%	Grand Total	-1.1%	Finance-Invest Bnkr/Brkr	-2.5%
Insurance Brokers	-0.5%	REITS-Storage	-1.1%	Exchanges	-2.7%
Retail-Pawn Shops	-0.6%	Commer Banks-Southern US	-1.1%	REITS-Hotels	-3.9%
Real Estate Mgmt/Servic	-0.6%	Invest Mgmt/Advis Serv	-1.2%	Finance-Mtge Loan/Banker	-5.7%
REITS-Single Tenant	-0.6%	Super-Regional Banks-US	-1.3%	Finance-Other	-17.4%

I look at these companies for big news events that have occurred since the last close. Often there isn't any, but big changes here can be an indication that someone knows something, or there is trading noise. After that, it is up to the analyst to dig. Often, the dog that does not bark is the clue, as stocks move up or down on no news, as well as unexplained large spikes in volume, CDS spreads, and implied volatility of options.

Disclosure: long ALL NWLI SAFT RGA AIZ PRE